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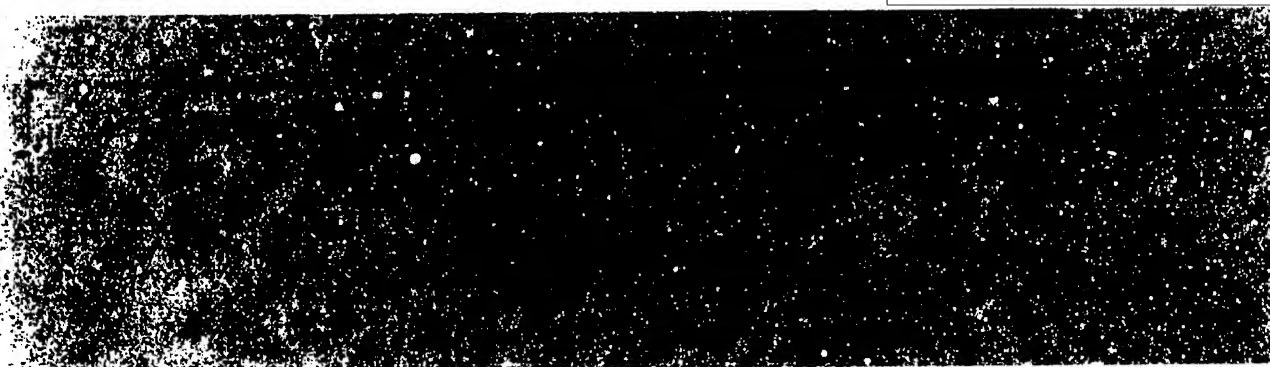


Director of
Central
Intelligence

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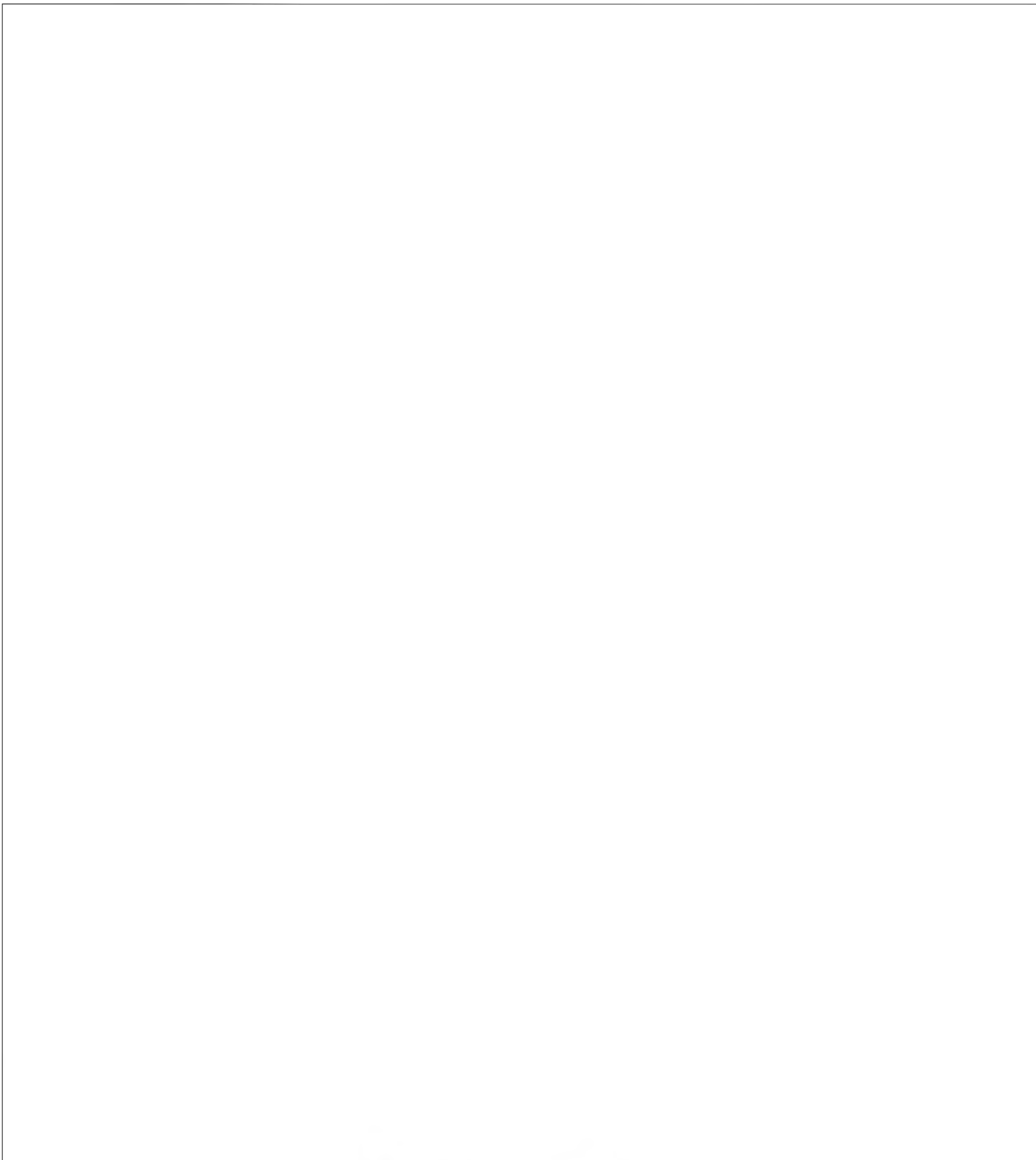
25 October 1985

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INTERNATIONAL: Reaction to President Reagan's Speech

Predictably, comments on President Reagan's speech from Western and some Nonaligned nations generally have been more positive than those from the USSR and its satellites.

Western Europe

West German Government officials, according to a West German news service, interpreted the President's emphasis on regional conflicts to mean that Washington will try to reach an agreement with the USSR at the Geneva summit on noninterference in Third World trouble spots. They saw the US initiative as a possible parallel to the code of conduct agreed on between President Nixon and former Soviet leader Brezhnev.

French Foreign Minister Dumas stated that the UN should actively participate in the resolution of regional problems and that his country would support such efforts. The French media suggested that President Reagan's emphasis on regional conflicts was designed to direct the debate away from disarmament, where the Soviets are seen to have a propaganda advantage.

The Italian press noted its disappointment that there had been little change in the superpowers' positions. Swedish Prime Minister Palme maintained there is a contradiction between the President's "harsh rhetoric" against the Soviets and his offer to deal with them.

USSR and Eastern Europe

A TASS commentary issued Thursday evening summed up the speech as a rehash of the US unconstructive position on disarmament and its "policy of state terrorism and interference in the internal affairs of sovereign peoples typified by Grenada, Afghanistan, Cambodia, and Nicaragua." TASS characterized the emphasis on regional issues as an attempt to divert attention from "the most burning problems of nuclear disarmament." It ignored the speech's call for a three-step regional peace process.

The East European press dismissed the President's speech as propaganda. The Czechoslovak news service suggested the President should have concentrated on apartheid in South Africa and on the need for respecting Nicaragua's independence. According to the Polish news service, the issue of arms control was treated brusquely and served mainly as a springboard for advertising SDI.

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Latin America

The Cuban press described the President's proposal as blackmail of the USSR because it suggests US-Soviet relations would not improve unless the conflicts in Nicaragua, Cambodia, Afghanistan, and Angola were resolved. It also maintained that the President should have put El Salvador—where "the Duarte regime and the White House refuse to have a dialogue with the insurgents"—at the head of the list of regional conflicts.

Nicaragua's President Ortega said the speech was a blow to peace and "filled with lies." Colombian Foreign Minister Ramirez Ocampo welcomed a US-Soviet discussion of the situation in Central America because the Contadora group has insisted that a resolution of the Central American conflict requires the superpowers' support.

Elsewhere

Japanese Prime Minister Nakasone praised the President's proposal and said he was impressed with his seriousness in promoting a dialogue with the USSR.

South African President Botha applauded the Reagan proposals to reduce Soviet and Cuban involvement in Angola.

Initial reporting in official Angolan media professed to see nothing new in President Reagan's speech, commenting that the President had only reaffirmed US support for counterrevolutionary organizations in Angola and elsewhere.

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LATIN AMERICA:

Contadora Talks Falter

The latest round of the Contadora peace talks made little progress, and signs of disunity among the Core Four—Costa Rica, Honduras, El Salvador, and Guatemala—are increasing.

Nicaragua has not budged from demands that foreign military maneuvers be proscribed and that formulas for arms reduction take into account its defense needs. According to press

Managua again ruled out reconciliation talks with Nicaraguan insurgents and insisted the US promise to respect any treaty

the draft gives Tegucigalpa 70 to 80 percent of what it wants and that Honduras would not carry the burden alone of pushing for additional changes. Guatemala, largely inactive at the talks, has succeeded in delaying another round until after its elections on 3 November.

Comment: The Contadora mediators, dismayed by the slow pace, may visit Central American capitals to press for movement. The pace is unlikely to pick up if Honduras follows Guatemala and asks for a postponement until after its elections in late November.

In its pursuit of a separate understanding with Managua, Costa Rica probably will be reluctant to agree to Nicaraguan demands for a demilitarized zone, but it may make things tougher for anti-Sandinista rebels operating from Costa Rica. Meanwhile, San Jose's willingness to accept the present draft will add to the pressures on its Core Four partners to make concessions.

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Prime Minister Musavi

Radical . . . former member of Islamic Republican Party Central Committee and editor of party newspaper . . . has held office since 1981 . . . may be related to President Khamenei.



**Proposed Minister of Interior
Ali Akbar Mohtashemi-Pur**

Ambassador to Syria since 1981 . . . close to Khomeini . . . key personality in Iranian foreign affairs.

**Proposed Minister of Oil
Gholam Reza Aqazadeh**

Principal adviser to Musavi . . . radical . . . served as Minister of State for Executive Affairs since 1982.

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IRAN:

New Cabinet Nominated

Prime Minister Musavi's proposed cabinet contains no significant changes, making it likely that major factions within the regime will remain stalemated over major issues.

Musavi's list of nominees, which he submitted to the Consultative Assembly for approval yesterday, contains new names for only six of the 24 ministerial posts. Ambassador to Syria Mohtashemi-Pur, who has supervised Iranian activities in Lebanon—including terrorist operations—was nominated to be minister of interior, in charge of important security functions. Gholamreza Aqazadeh, a radical who is one of Musavi's advisers, is to be the oil minister.

Musavi named a little-known colonel, Mohammed Jalali, to the Defense Ministry slot, vacant since the Assembly vetoed former Defense Minister Salimi's reconfirmation last fall. Musavi also proposed new ministers for planning and budget, roads, and culture and higher education.

Ayatollah Khomeini in a recent speech to the Assembly said that problems related to the war made it imperative for the new cabinet to be quickly approved. The Assembly last year rejected five of Musavi's cabinet nominations and barely approved four others, despite a similar call by Khomeini for a vote of confidence.

Comment: The lack of any major realignment indicates that deep divisions continue between radical and conservative factions in the regime, severely hampering efforts to deal with the country's problems. The failure of almost 100 deputies to support Musavi's renomination—despite Khomeini's endorsement—reflects the depth of conservative dissatisfaction with government policies.

Khomeini's willingness to intervene on major issues such as the government's role in foreign trade is the key to breaking the current deadlock on these questions, but he has shown himself increasingly reluctant to do so.

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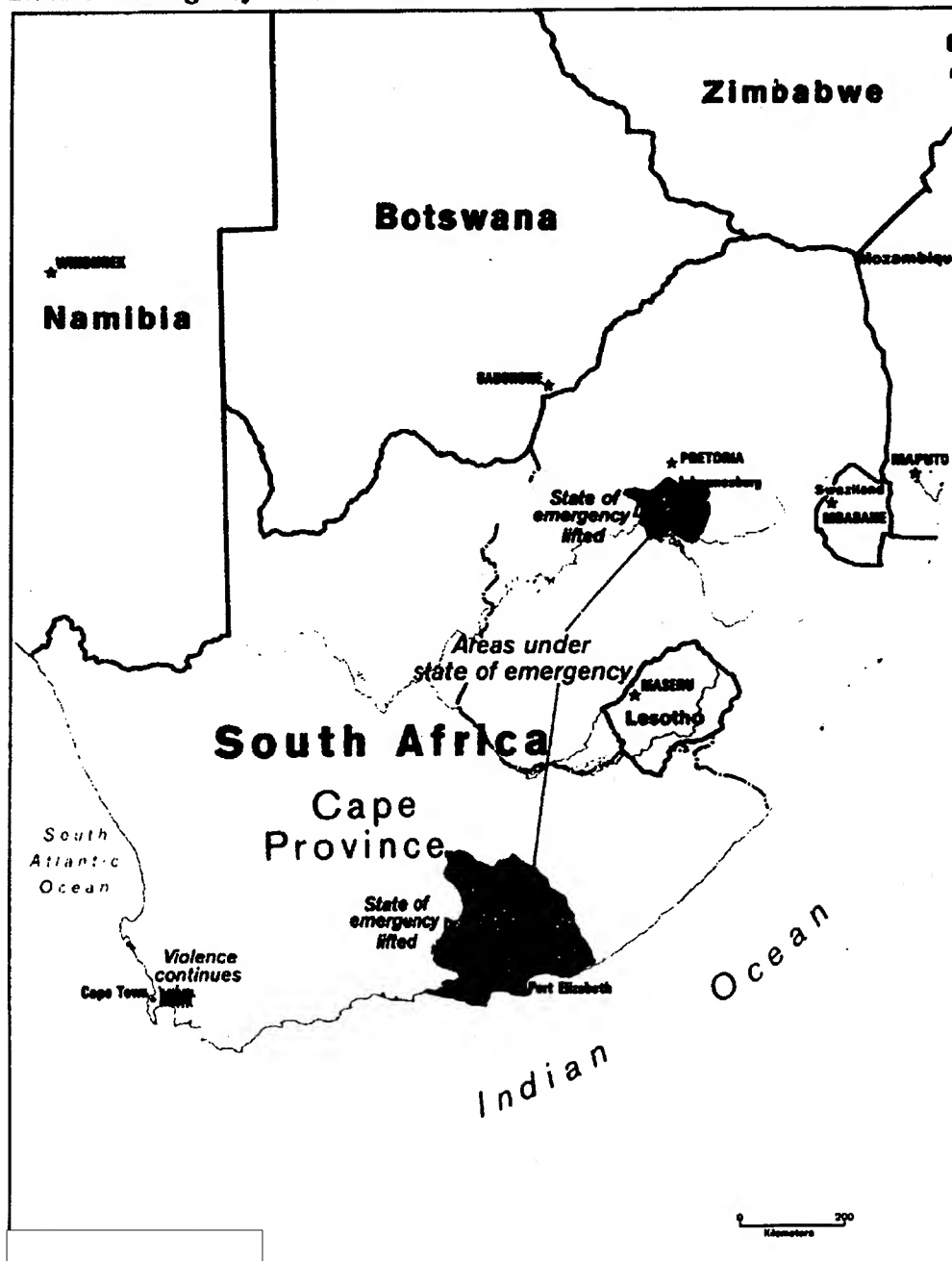


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State of Emergency Lifted in Selected Areas



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SOUTH AFRICA: Intensifying Violence

The government lifted the state of emergency in some rural districts yesterday, but violence continues to escalate in western Cape Province. Police have received orders to shoot to kill any rioter who appears to throw a projectile.

Someone threw a handgrenade at a troop transport in western Cape Wednesday. The press reports two grenade attacks on police earlier this week, and caches of grenades have been reported in some townships.

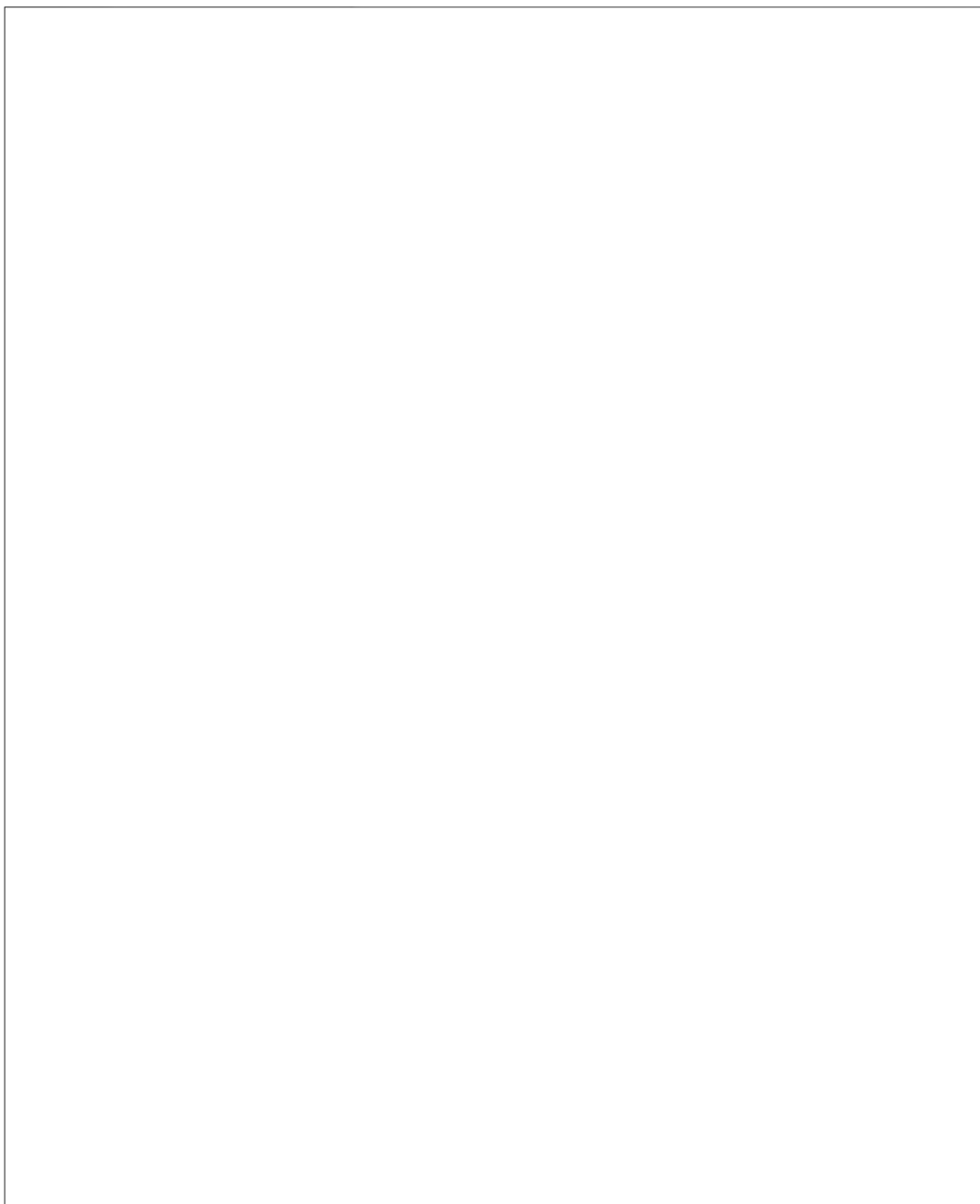
Skirmishes between nonwhites and security forces continue to increase and have been marked by incidents of gunfire by protesters. Police in Cape Town warned whites not to take the law into their own hands and said vigilante groups would not be tolerated.

Comment: The partial lifting of emergency powers is a feeble effort by the government to signal whites before the coming parliamentary byelections that its solutions to the unrest are working. Security forces already are facing increasing charges of arbitrary use of power.

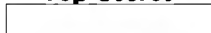
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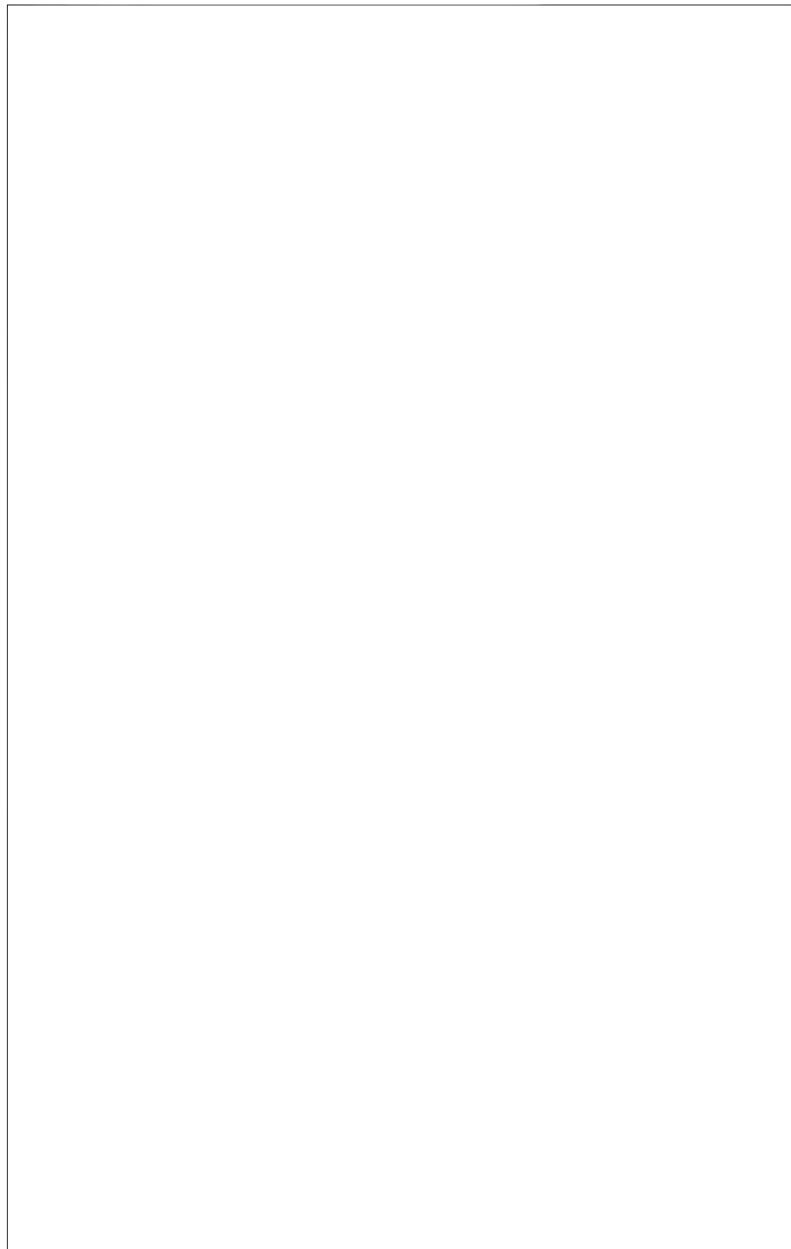
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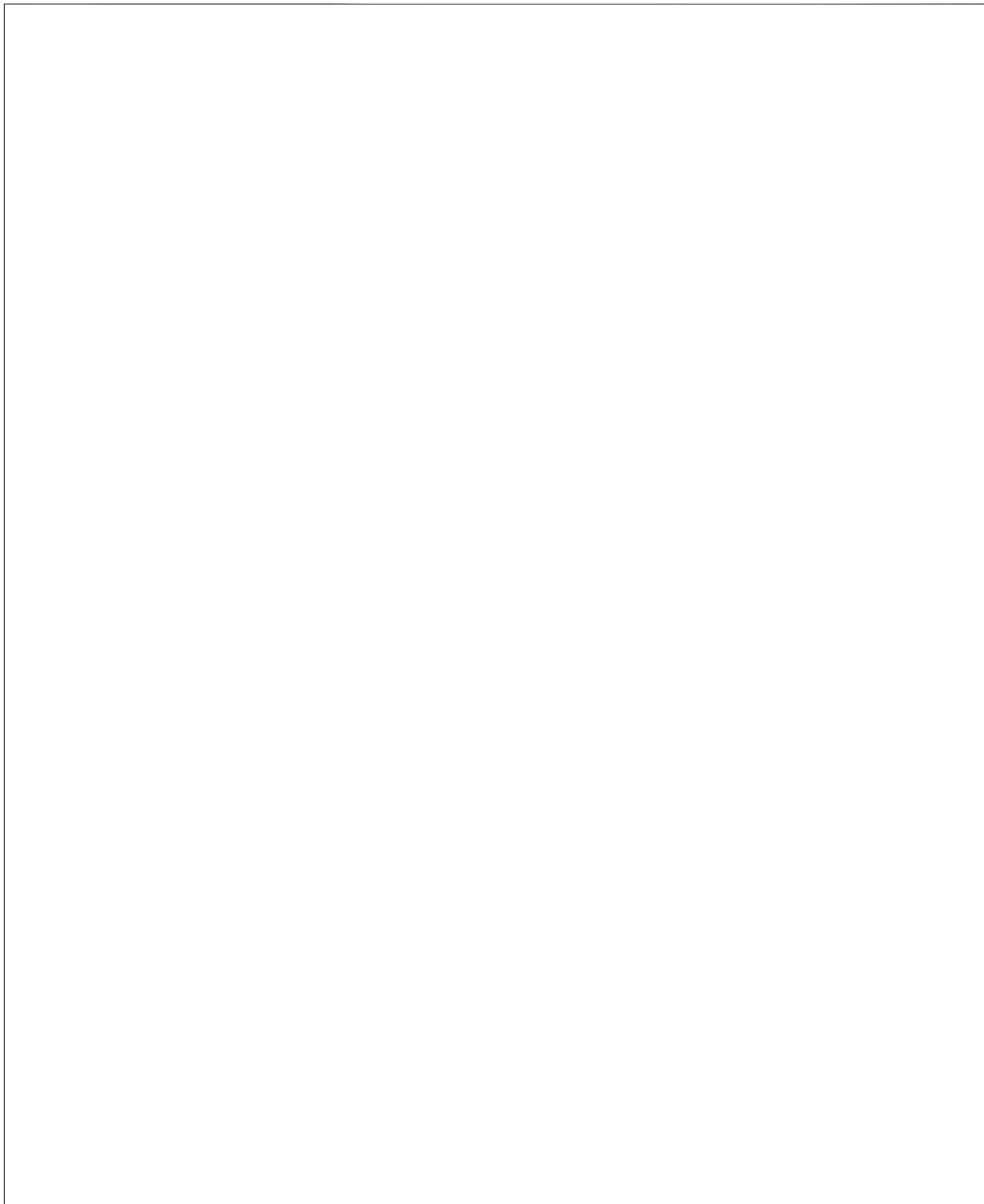
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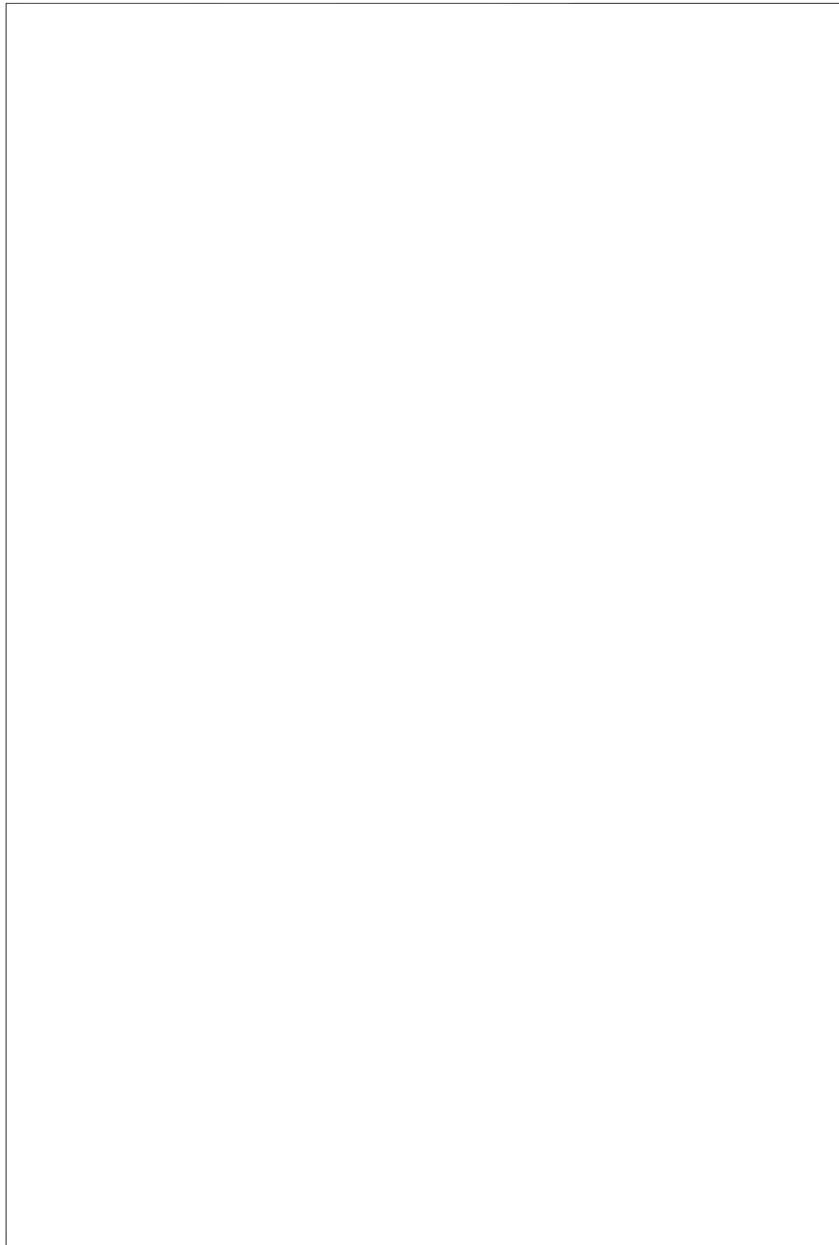
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In Brief

Africa

- **Nigeria** risks loss of Export-Import Bank credit unless \$50 million payment made by 1 November . . . private trade financing already cut to minimum . . . Lagos probably able to pay but still will face difficulty financing necessary imports.
- **Angolan** President dos Santos arrived **Cuba** yesterday on return home from UN General Assembly . . . probably will discuss recent military offensive against UNITA, future Cuban assistance, strategy for 1986 Nonaligned summit in **Zimbabwe**.

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Americas

[redacted] President Castro will meet next week with Cuba's Catholic bishops . . . no details on agenda . . . part of Castro's effort to improve his image in Latin America. [redacted]

- Quebec Premier Johnson has called provincial election for 2 December . . . his Parti Quebecois has gained on province's Liberals . . . still trails by 12 points in polls . . . gap will narrow . . . winner will not seek independence from Canada. [redacted]
- Canada squeezing \$520 million from defense funds for polar icebreaker . . . may delay military modernization, perhaps prevent order of new frigates . . . officials blame US Arctic voyage for making northern presence politically necessary. [redacted]

[redacted] new Bolivian officials more concerned about drug trade after visits to coca-growing areas . . . alarmed over distortions to rural economies . . . pledged to begin first-ever eradication operations in November. [redacted]

Europe

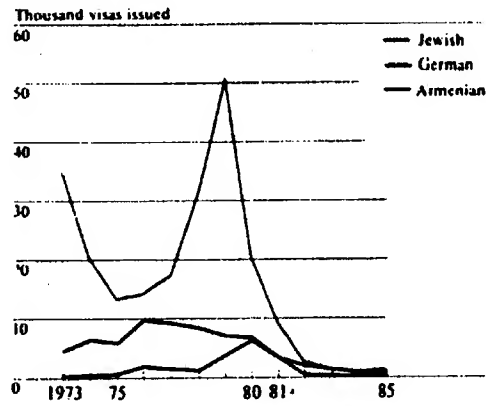
- Dutch have told Portuguese they will not contribute funds for frigates . . . would reconsider if NATO endorsed ships as Alliance program . . . although UK reportedly will contribute, Dutch withdrawal will seriously impair project. [redacted]

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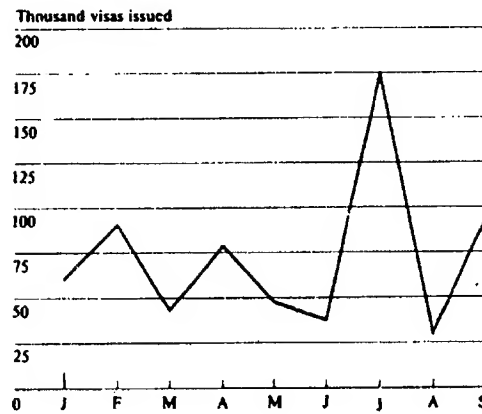
USSR: Emigration, 1973-85



* 1981 Armenian emigration rate is an estimate.

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USSR: Jewish Emigration in 1985*



* Through 30 September.

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Special Analysis

USSR:

Sending Signals on Jewish Emigration

Several straws in the wind indicate the Soviets are thinking about permitting more Jews to leave for Israel. Moscow already has dangled that prospect before the world Jewish community, if only to mute criticism of Soviet emigration policy before the US-Soviet meeting in Geneva. The tactic may backfire, however, unless the Soviets quickly match deed to promise.

To date, the Soviets have dropped charges against an imprisoned Jew and have granted exit permission to several well-known refuseniks. The visit to Moscow last month by leaders of the World Jewish Congress to discuss emigration reportedly was a "qualified success." Senior party officials may have told the group they were considering a proposal—supported by the Israeli Government—to allow direct emigration of Soviet Jews to Israel.

Israeli Prime Minister Peres told a Labor Party forum in mid-September that an early breakthrough on emigration of Soviet Jews could be expected. The Soviet Peace Committee invited an Israeli official to the USSR in early October. Peres has used channels such as the World Jewish Congress and the peace committee to communicate with the Soviets on the emigration issue.

These straws are no guarantee that Moscow intends to ease the repression of Soviet Jews or to allow increased emigration. The promise of concessions itself, however, has already produced gains for Moscow, at least in the short term. The Israelis, in a goodwill gesture, sent an envoy to Paris late last month to tell organizers to tone down demonstrations for Soviet Jewry during General Secretary Gorbachev's visit to Paris. Nevertheless, those in the World Jewish Congress and Israeli Government who are skeptical of Soviet motives in the dialogue will react quickly if there are no positive, tangible signs from Moscow soon.

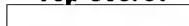
Accordingly the Soviets may opt for a modest increase in Jewish emigration levels—now about 1,000 per year—and possibly steps to channel emigres directly to Israel, as a more lasting deterrent to criticism by world Jewish organizations. Such moves might also be calculated to reduce the salience of the issue in US-Soviet relations without appearing to cave in to US pressure.

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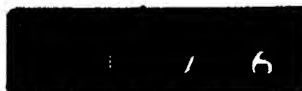
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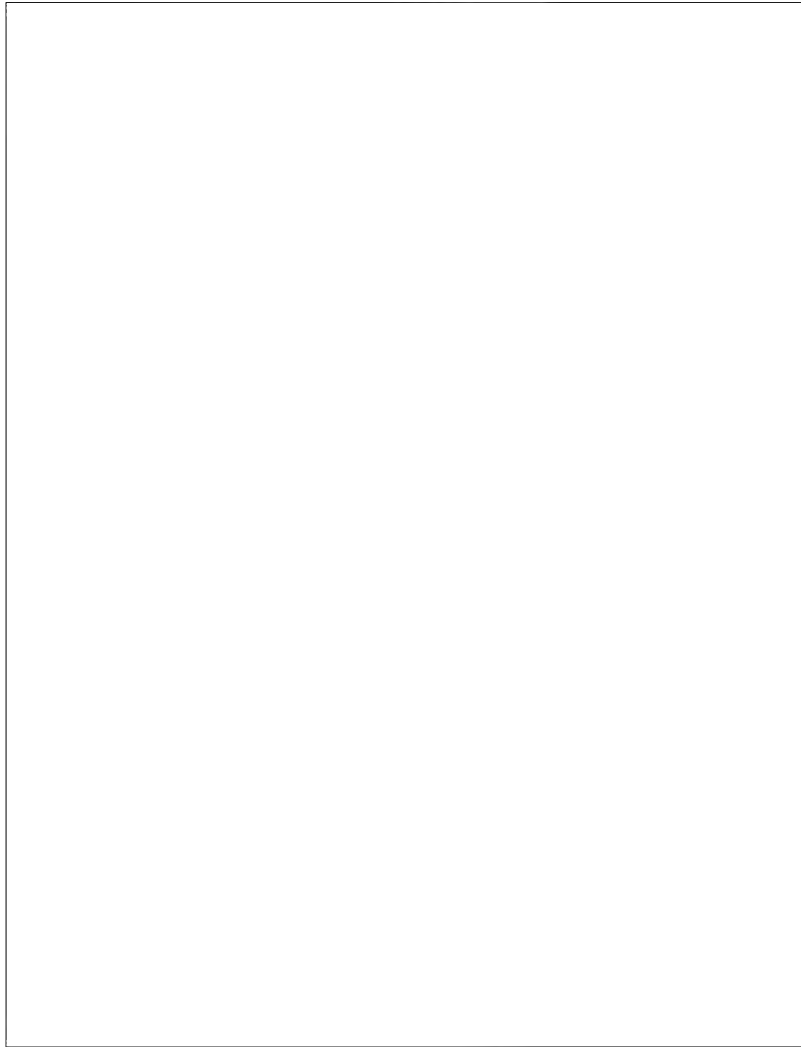
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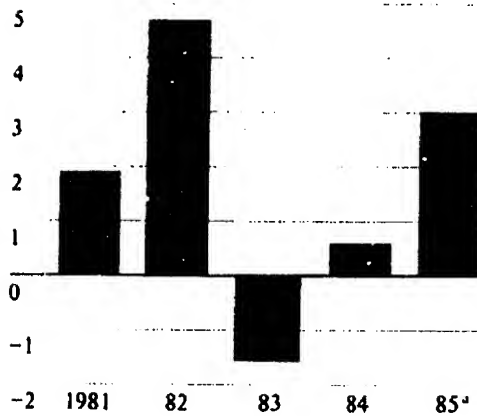
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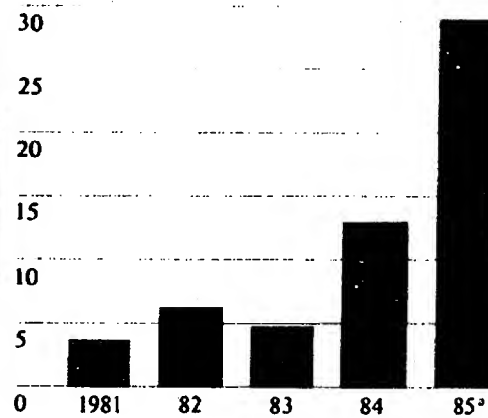
Grenada: Economic Indicators

Percent

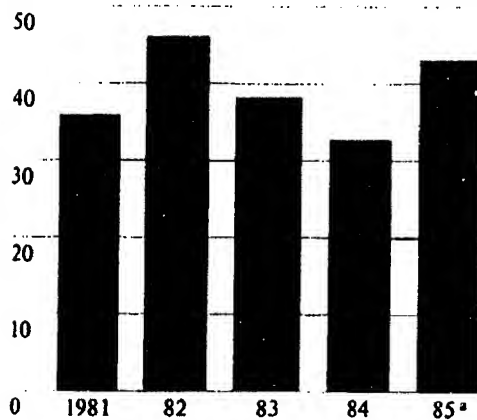
Real GDP Growth Rate



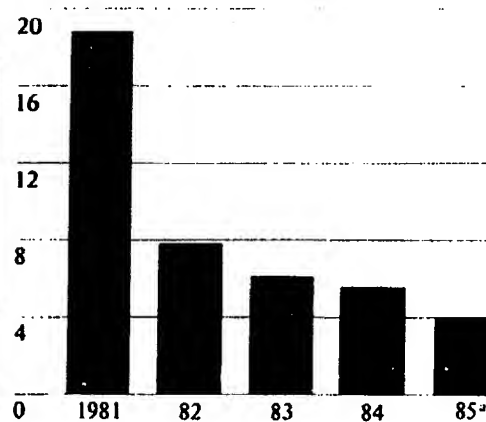
Debt Service Ratio



Central Government Deficit
as a Share of GDP^b



Retail Price Inflation



^a Projected.

^b Excludes external grants.

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Special Analysis

GRENADA:

Two Years After the Intervention

Grenada is reorganizing its economy and adjusting to democratic government following the military intervention two years ago by joint US-Caribbean forces. It still faces formidable obstacles in assuring long-term stability.

Prime Minister Blaize's imperious style and the lack of parliamentary opposition initially encouraged squabbling in the ruling party. Blaize recently has been more accommodating toward his Cabinet, however, and party chieftains support him in public, despite their reservations.

The remnants of the leftist New Jewel Movement remain bitterly divided. The socialist Maurice Bishop Patriotic Movement, trounced in the elections last December, seeks eventually to regain social and political acceptance among youth and trade union groups. The Marxist Bernard Coard faction is preoccupied with the Bishop murder trial, scheduled to resume in January. Havana and Moscow may urge a reconciliation of the two groups, but neither group shows signs of a resurgence.

Despite the divestiture of many public firms and the introduction of investment incentives, Grenada has been unable to attract sizable foreign investment or to reduce its 35- to 40-percent rate of unemployment. Even with a soaring debt-service burden, the government has increased external borrowing to cover its deficit. Low world agricultural prices and time-consuming development projects will dampen economic growth and prolong the island's dependence on US aid.

Grenada's 80-man, US-trained Special Service Unit, responsible for security since the recent withdrawal of US and Caribbean forces, and the revamped police force appear capable of meeting security requirements. Blaize is worried, however, about the potential threat posed by the many unemployed former members of the disbanded People's Revolutionary Army and students returning from Cuba.

If hopes for prosperity fade, the left will try to capitalize on the public's disillusionment. The New Jewel groups may find common cause over the coming extradition of a leftist trade union leader, who is under indictment in the US for running guns for the Bishop regime. Any offer of more substantial Cuban and Soviet funding might tempt both factions to reunite.

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